



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: July 30, 2019

Time: 7:00 a.m.

*and via conference call:

1311 Midvale Road
Lodi, CA 95240
&
437 E. Elm Street
Lodi, CA 95240

For information regarding this Agenda please contact:

Jennifer M. Ferraiolo
City Clerk
Telephone: (209) 333-6702

Informal Informational Meeting

A. Roll Call by City Clerk

B. Topic(s)

B-1 Parks, Recreation and Cultural Services Cost Recovery Approach, Methodology, and Model (PRCS)

C. Comments by Public on Non-Agenda Items

D. Adjournment

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Jennifer M. Ferraiolo
City Clerk

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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Parks, Recreation and Cultural Services Cost Recovery Approach, Methodology and Model

MEETING DATE: July 30, 2019

PREPARED BY: Parks, Recreation and Cultural Services Director

RECOMMENDED ACTION: Receive presentation on Parks, Recreation and Cultural Services cost recovery approach, methodology and model.

BACKGROUND INFORMATION: Parks, Recreation and Cultural Services is one of the City's special revenue funds. The department receives an annual transfer from the General Fund to underwrite the cost of maintaining public parks and to support service delivery. The transfer, however, only covers about 60 percent of PRCS' operating expenses.

Cost recovery represents a decision to generate revenues by charging fees and other types of revenue for some or all programs and services relative to the total operational costs to provide them. How to charge for various services and programs is typically guided by a cost-recovery policy adopted by the governing authority, and in our case City Council. The cost-recovery goals adopted by an agency can range from 0 percent to more than 100 percent, depending on the Council's fiscal goals for the agency/department, which includes who should benefit from taxpayer funds and to what extent.

On average, parks and recreation agencies recover less than 30 percent of their operational costs. Lodi recovers 40 percent, which is the target set by the City Council at its February 20, 2019, meeting. That was a 5-percent increase from the 35-percent goal in the budget policies adopted as part of the two-year budget in 2003. At that time, the goals for the department were to recover at a "relatively high" level for adult activities, "relatively low" for youth activities, implement a non-resident surcharge for activities with a cost-recovery level of less than 100 percent, and that City management should have flexibility in setting activity fees as long as they met the previous objectives and criteria. At the time, the Council also specified a 40-percent goal for cost recovery for programs at Hutchins Street Square, now folded within PRCS. In addition, the 2003 guidelines did not address fees and charges for other types of revenue such as rentals, permits, leased spaces, private/semi-private lessons, administrative fees, and special events.

However, given the passage of time, staff would like to revisit the model for further Council input.

Having a well-defined cost-recovery philosophy, methodology and policy allows PRCS to price programs and services appropriately and consistently with City goals. Staff will present a widely-used, industry

APPROVED: _____
Stephen Schwabauer, City Manager

best-practice cost recovery philosophy and model to receive Council feedback on moving forward with implementation; and, in the future, present an updated draft policy for consideration.

FISCAL IMPACT: Implementing a best-practice, cost-recovery methodology and model provides guidance to staff and ensures that taxpayer funds are spent in accordance with Council goals.

FUNDING AVAILABLE: Not applicable.

Cathi DeGroot, Deputy Director
Parks, Recreation and Cultural Services

A Cost Recovery Approach

The Pyramid Methodology, Model and Policy

Parks, Recreation and Cultural Services

**Council Shirtsleeve
July 30, 2019**



Why a Cost Recovery Approach?

PRCS desires to establish a well-defined, long-term pricing strategy, structure and system that:

- 1) Provides staff direction and a framework for setting fees and charges;
- 2) Supports the department's fiscal health, sustainability, role and mission;
- 3) Ensures consistency with City goals and policy.



Today's Agenda

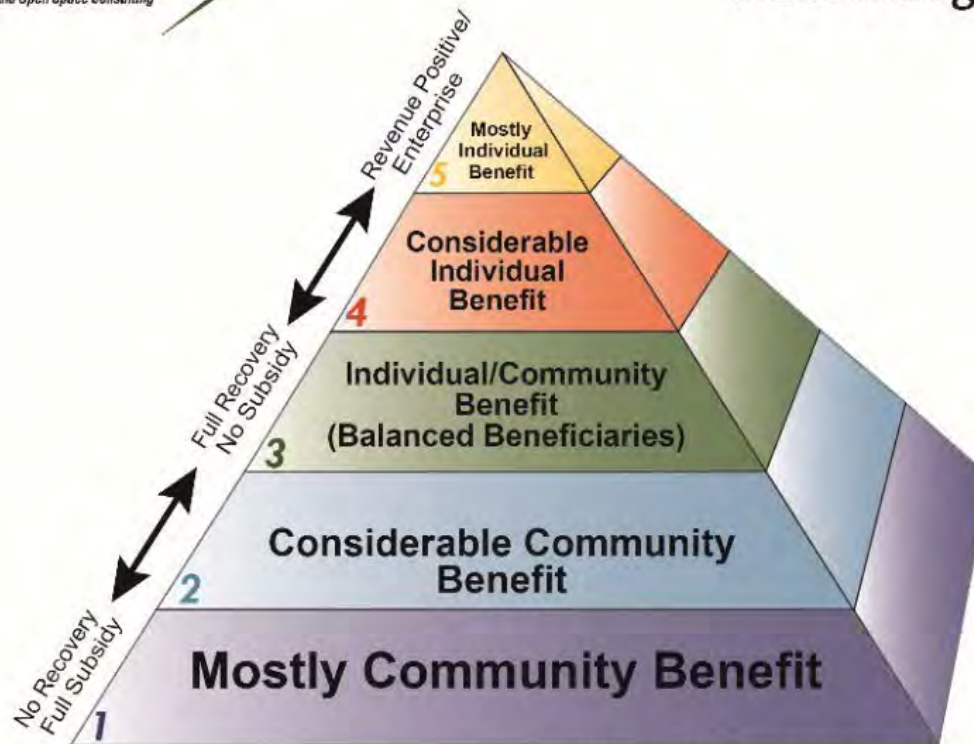
- 1) Introduce The Pyramid Methodology/Model – *Exhibit A*
- 2) Review and discuss the following:
 - a) Benefits Filters
 - b) 10-step project approach
 - c) Categories of service - *Exhibit B*
 - d) Proposed PRCS pyramid and tiers - *Exhibit C*
- 3) Comprehensive “Fees and Charges” document
- 4) Need for a formalized scholarship program
- 5) With Council support, move to establish PRCS Cost Recovery Policy.



The Pyramid Methodology



The Pyramid Methodology



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Understanding the Pyramid and the Benefits Filters

- The principal foundation of the Pyramid Methodology is the **Benefits Filters**.
- Conceptually, the base level of the pyramid represents core services of a public parks and recreation system.
- Services appropriate to higher levels of the pyramid should only be offered when the preceding levels below are comprehensive enough to provide a foundation for the next level.



Understanding the Pyramid and the Benefits Filters

- The foundation and upward progression is intended to represent public parks and recreation's core mission;
- Upward progress reflects growth and maturity of an organization as it enhances its service offerings.



Mostly Community Benefit

- The foundational level of the Pyramid is the largest.
- Encompasses services including programs and facilities that **MOSTLY** benefit the **COMMUNITY** as a whole.
- Services may increase property values, provide safety, address social needs, and enhance quality of life for residents.
- Community generally pays for these basic services via tax support.



Mostly Community Benefit

- Generally offered to residents at a minimal charge or no fee.
- A large percentage of the agency's tax support would fund this level of the Pyramid.

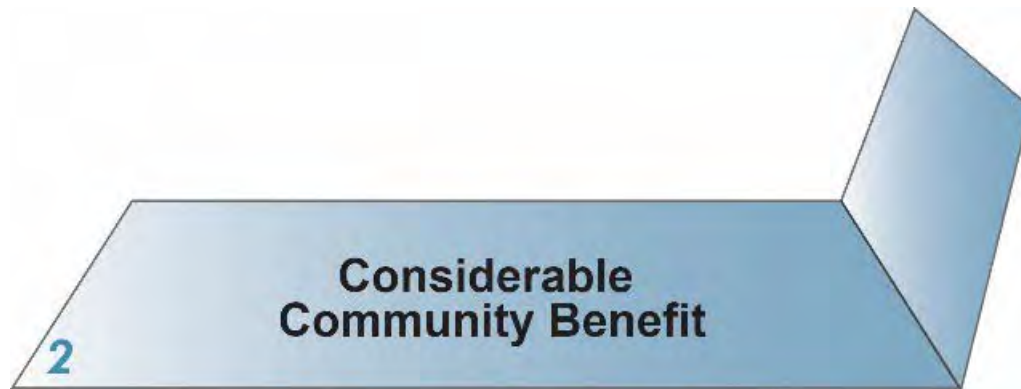
Examples include:

- The existence of the parks and recreation system;
- Ability for children to visit facilities on an informal basis;
- Low-income or scholarship programs;
- Park and facility planning, design, and park maintenance.



Considerable Community Benefit

- Second level of the Pyramid represents services that promote individual physical and mental well-being, and may begin to provide skill development.
- They are traditionally expected services and/or beginner instructional levels.
- Services are typically assigned fees based upon a specified percentage of direct (and may also include indirect) costs.



Considerable Community Benefit

- These costs are partially offset by both a tax investment to account for **CONSIDERABLE COMMUNITY** benefit;
- Relatively minor participant fees to account for the **Individual** benefit received from the service.

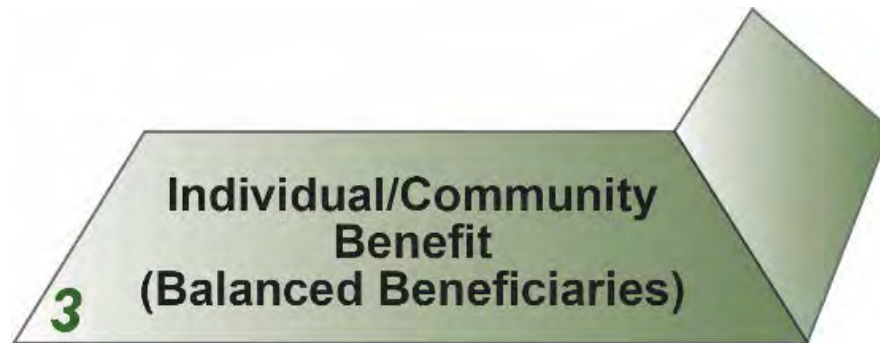
Examples include:

- The capacity for youth, teens and adults to visit facilities on an informal basis;
- Ranger-led interpretive programs;
- Beginning level instructional programs/classes.



Balanced Individual/ Community Benefit

- Third level of the Pyramid represents services promoting individual physical and mental well-being, and provides an intermediate level of skill development.
- The level provides balanced **INDIVIDUAL** and **COMMUNITY** benefit and should be priced accordingly.
- The individual fee is set to recover a higher percentage of cost than those services falling within lower Pyramid levels.



Balanced Individual/ Community Benefit

Examples include:

- Beginning level instructional programs/classes
- Summer sports leagues,
- Teen programs
- Rentals (non-profit)



Considerable Individual Benefit

- Fourth level of the Pyramid represents specialized services generally for specific groups;
- And those that may have a competitive focus.
- Services in this level may be priced to recover full cost, including all direct expenses.



Considerable Individual Benefit

Examples include:

- Advanced level classes
- Specialty classes
- Competitive leagues
- Trips



Mostly Individual Benefits

- At the top of the Pyramid, the fifth level represents services that have potential to generate revenues above costs.
- May be in the same market space as the private sector, or may fall outside the core mission of the agency.
- In this level, services should be priced to recover full cost in addition to a designated profit percentage.



Mostly Individual Benefits

Examples include:

- Private lessons
- Private/company picnic rentals
- Other facility rentals for weddings or other services
- Concessions and merchandise for resale
- Restaurant services, etc.



Project Approach and Steps 1 - 5

1. Introduce a “*best practice*” business tool to the Department and Parks & Rec Commission – A Pyramid Methodology (*GreenPlay, LLC™*). *(done)*
2. Building on our organization’s Mission, Vision and Values and Strategic Action Plan. *(done)*
3. Understanding the Pyramid Methodology/Benefits Filters. *(done – Exhibit A)*
4. Analyze/develop the organization’s “Categories of Service.” *(done – Exhibit B)*
5. Sort the Categories of Service onto the Pyramid. *(done - Exhibit C)*



Project Approach and Steps 6 - 10

6. Define direct and indirect costs for all programs/services.
(done)
7. Determine (and confirm) the current tax investment/cost recovery levels and percentages. *(done)*
8. Established draft agency cost recovery/tax investment goals, targets and percentages by tiers. *(done)*
9. Understand and prepare “influential factors and considerations” relative to service fees. *(done)*
10. Full implementation of The Pyramid Methodology and cost recovery philosophy, including policy development .
(Sept – Dec 2019).



“Fees and Charges” Document



- Bring PRCS fees and charges under one, multi-page document
- Organized by categories of service
- Approvals indicated for Council/City Manager/Director
- Assists staff in analyzing and managing fees as part of budget submission process
- Annually reviewed and updated



Formalize a Scholarship Program

Taking care of those who cannot afford to pay a fee

- Today's discussion focuses on appropriate resource allocation and answering such challenging questions as:
 1. Are our programs and services priced fairly and equitably; and
 2. Is there a methodology for the distribution of the tax investment; and
 3. Who ultimately benefits?

But what about those who cannot afford to pay a fee?



Formalize a Scholarship Program

- A fee reduction scholarship program/policy is intended to provide access to services to residents with economic need.
- It is not a sustainable business practice to keep fees artificially low in order to ensure that all can afford to pay.
- Should Council wish to explore a fee reduction scholarship program, staff will research/develop a draft program/policy as part of the departmental work plan for FY 19/20.



Summary

PRCS seeks to achieve organizational sustainability through a best-practice, cost recovery pricing philosophy, policy and framework that ultimately supports the following:

- The department's mission, vision, core values, and Strategic Action Plan;
- A Council-mandated fiscal policy of 40% recovery of operational costs only; and,
- An annually-updated and approved fees and charges schedule to be used by staff to appropriately price and collect revenue for service and program offerings.
- A new scholarship program.



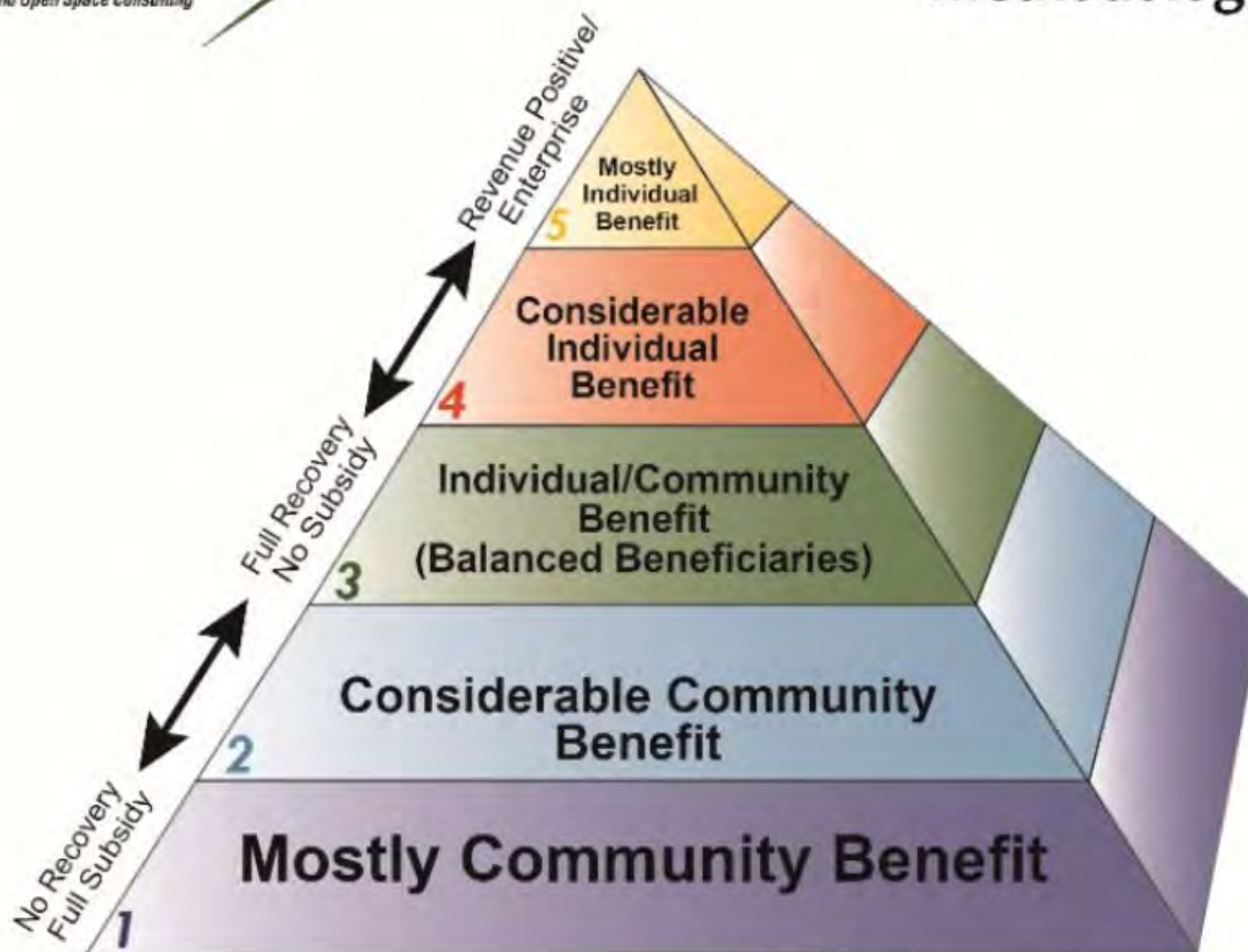
Q & A

**Thank you for your time
and consideration!**





The Pyramid Methodology



Categories of Service (29)

1. After School Programs
2. Camps
3. Campsite (RV) Rental/Use
4. City-wide Overhead
5. Community-wide Events (Typically Free)
6. Drop-in Park/Facility Use (Supervised)
7. Group Lessons, Instructional Clinics, Programs and Workshops (Beginner)
8. Group Lessons, Instructional Clinics, Programs and Workshops (Intermediate/Advanced)
9. Leagues - Adult
10. Leagues – Youth (Beginner)
11. Leagues – Youth (Advanced)
12. Long Term Leases – General Use
13. Long Term Leases – Non-Profits
14. Monitored Park/Facility Use
15. Parks/Open Space
16. Permitted Services (Park Rentals/Commercial Use Activities)
17. Private/Semi-Private Lessons
18. Planning and Project Management
19. Pools/Beach Rental
20. Rentals (Fields/Court - Exclusive Use)
21. Rentals (Special Event Facilities – Exclusive Use)
22. Rentals (Fields/Court - Public Use)
23. Rentals (Special Event Facilities – Public Use)
24. Rentals (Non-Profits)
25. Specialized Events/Activities (Ticketed)
26. Support Services (Administrative; Park Maintenance)
27. Tournaments
28. Tours/Field Trips
29. Trails

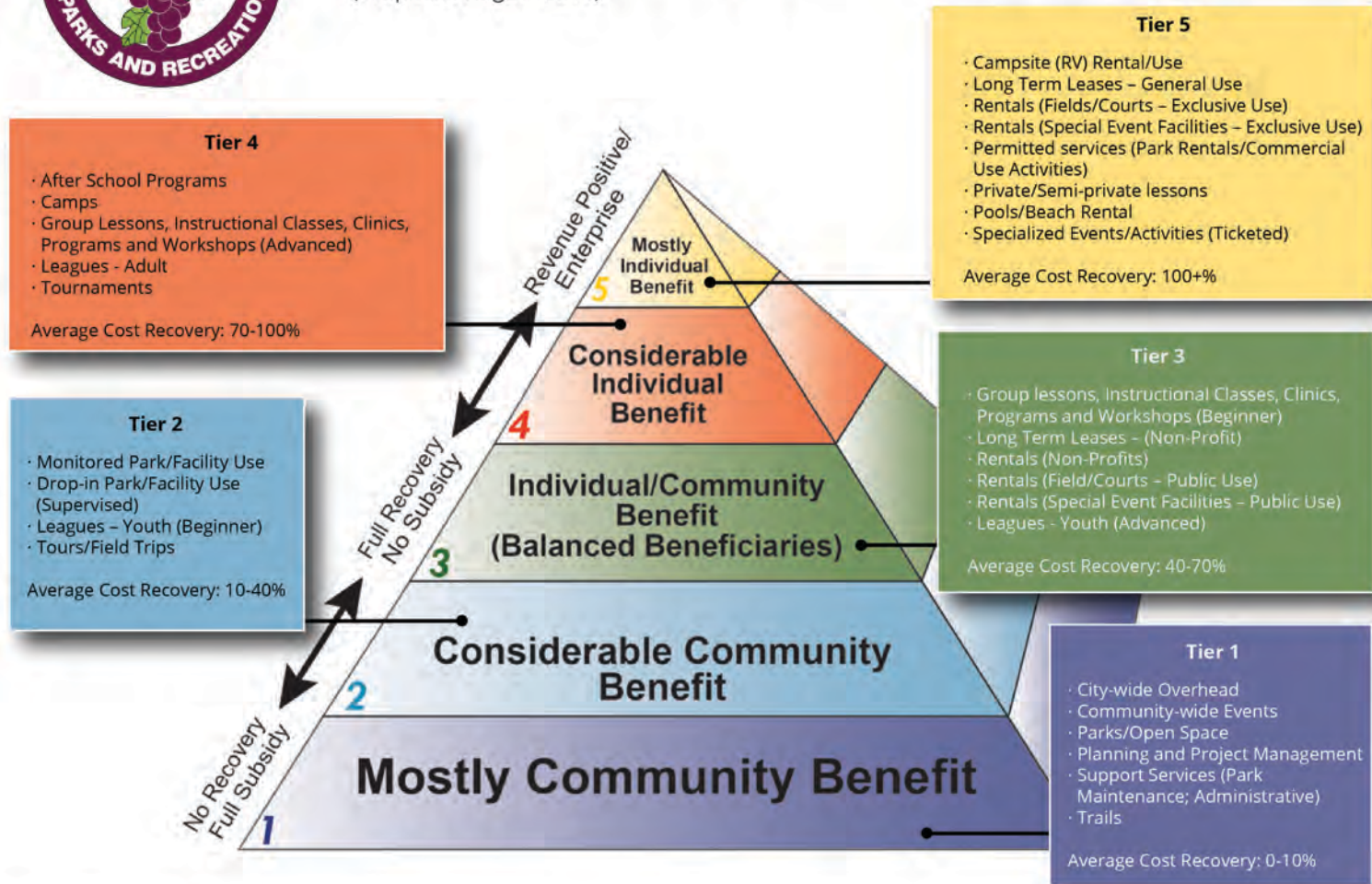


DRAFT

Cost Recovery Pyramid Model

Exhibit C

(Proposed August 2019)



City of Lodi, CA - Parks, Recreation and Cultural Services – *EXHIBIT C (page 2 of 2)*
(DRAFT) Cost-Recovery Targets by Tier – Placement of Categories

NOTE: *PRCS will set fees based on cost recovery targets and tier placement. However, particular consideration will also be given to demand, market conditions, and industry trends to ensure the continuation of a program or service.*

Tier	Description	Direct	Indirect	Average	PRCS Program/Service
1	Mostly Community Benefit	0-10%	0%	0-10%	City-wide Overhead Community-wide Events Parks/Open Space Planning and Project Management Support Services (Park Maintenance; Administrative) Trails
2	Considerable Community Benefit	10-40%	10%	10-40%	Monitored Park/Facility Use Drop-in Park/Facility Use (Supervised) Leagues – Youth (Beginner) Tours/Field Trips
3	Balanced Individual/Community Benefit	70%	20%	40-70%	Group lessons, Instructional Classes, Clinics, Programs and Workshops (Beginner) Long Term Leases – (Non-Profit) Rentals (Non-Profits) Rentals (Field/Courts – Public Use) Rentals (Special Event Facilities – Public Use) Leagues - Youth (Advanced)
4	Considerable Individual Benefit	100%	60%	70-100%	After School Programs Camps Group Lessons, Instructional Classes, Clinics, Programs and Workshops (Advanced) Leagues - Adult Tournaments
5	Mostly Individual Benefit	100%	90%	100+%	Campsite (RV) Rental/Use Long Term Leases – General Use Rentals (Fields/Courts – Exclusive Use) Rentals (Special Event Facilities – Exclusive Use) Permitted services (Park Rentals/Commercial Use Activities) Private/Semi-private lessons Pools/Beach Rental Specialized Events/Activities (Ticketed)